

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 3 – HB 6

February 26, 2017

SUMMARY OF BILL: Allocates to any municipality having a major league soccer (MLS) franchise an amount equal to the amount of state sales tax revenue derived from the sales of admissions to games, food and drinks sold on the premises, parking charges, related services, and any sales of authorized franchise goods and products.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – To the extent Nashville’s bid for a major league soccer team is successful, the state would forgo \$1,364,200 in revenue each year beginning in FY19-20. All of this forgone revenue, plus an additional \$65,800 that the local government would receive under current law pursuant to the state-shared sales tax allocation for a total of \$1,430,000, would be allocated to Nashville for the exclusive use of the sports authority.

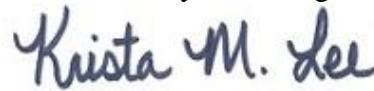
Assumptions:

- Currently, 22 MLS franchises play 17 home games, for a total of 34 games per season, not including any playoff games that each team may have.
- MLS is in the process of adding two additional teams (Los Angeles and Miami), for a total of 24, with plans to continue expanding to a total of 28 teams. The current expansion plan is to announce teams 25 and 26 during the second or third quarter of 2017, and those teams would begin MLS play by 2020. Teams 27 and 28 would be announced at a later date.
- An ownership group bidding for an expansion team in Nashville submitted its bid, along with 11 other cities, to compete for one of the four MLS expansion openings.
- If Nashville’s bid is unsuccessful, this bill will not result in a significant fiscal impact on state or local revenue in the foreseeable future.
- To the extent that Nashville’s bid is successful there would be a significant impact on state and local revenue.
- It is assumed that a team from Nashville will begin MLS play in 2020 season that runs from March to October. There will be a total of 26 MLS teams and each team will play approximately 20 home games each season.
- MLS average attendance in 2016 was 21,692, with the highest average team attendance of 42,636, lowest average team attendance of 14,094, and a median attendance of 20,057. Nashville’s average attendance is estimate to be 20,000.

- The average game ticket price is estimated to be \$45; the average game day spending is estimated to be \$20 per person, for total spending of \$65 per person.
- The current state sales tax rate is 7.0 percent. The proposed allocation of state sales tax revenue will only apply to sales tax collections pursuant to the tax rate of 5.5 percent.
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.603 percent of state sales tax revenue from the 5.5 percent tax rate as state-shared sales tax revenue.
- The recurring amount of revenue that the state would forgo as a result of this bill, beginning in FY19-20, is estimated to be \$1,364,177 [(20,000 attendance x 20 games x \$65 spending x 5.5% sales tax rate) - (20,000 attendance x 20 games x \$65 spending x 5.5% sales tax rate x 4.603% state-shared local revenue)].
- The local government would receive an additional \$1,364,177, and a total of \$1,430,000 in local revenue (20,000 attendance x 20 games x \$45 tickets x \$20 other spending x 5.5% sales tax rate) will be earmarked for the exclusive use of the sports authority, or comparable municipal agency formally designated by the municipality.
- Any increase in state or local expenditures for software modifications needed to accommodate the new apportionments is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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